

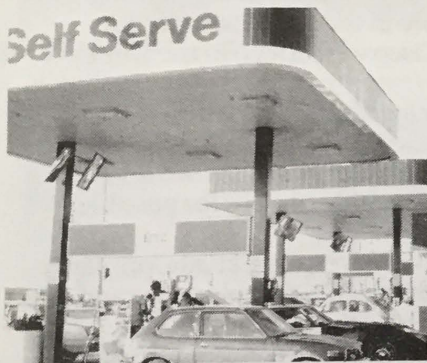


Imperial Oil Limited

46869



The Strathcona refinery plans expansion and upgrading to operate year-round at maximum capacity



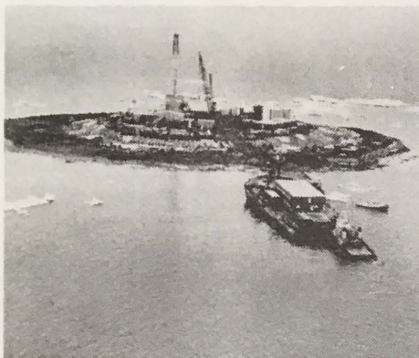
One of Imperial's 4667 stations

Imperial Oil Limited is the largest and most successful integrated oil company in Canada. It entered its second century of operations in 1980 with a return on investment of 15.7 percent. Earnings were \$682 million on revenues of \$6325 million, both records for the company and the industry. The outlook is for a temporary decline in 1981, mainly as a result of the tax on petroleum and gas revenues announced as part of the National Energy Policy. However, the company expects vigorous annual increases over the following five years and beyond.

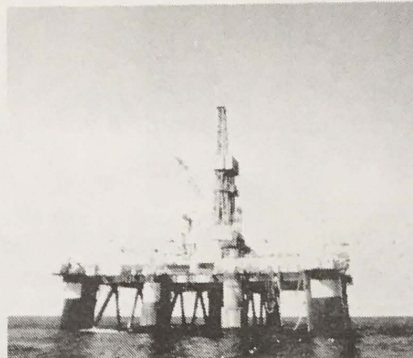
Imperial is the holder of the largest hydrocarbon reserves of any oil company in Canada and the country's largest refiner and marketer of petroleum products. But it is not just an oil company; Imperial also occupies a major position in the petrochemical and mineral industries. The operations and investments of this multi-faceted organization are administered in segments reflecting these interests—natural resources, chemicals and building products, and petroleum products.

Exploring for and producing oil and gas and minerals, and developing deposits of heavy oil and upgrading crude from them for refining is the responsibility of Esso Resources Canada Limited, a wholly owned subsidiary with headquarters in Calgary.

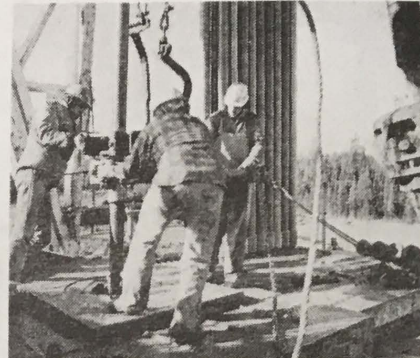
Esso Resources is the largest producer of crude oil in Canada (1980 production was 34 700 m³/d) and among the top five producers of natural gas (8 200 000 m³/d). Land holdings in oil, gas, and minerals throughout Canada amounted to more than 11 million net hectares at the end of 1980. At Dec. 31, 1980, net reserves of crude oil were 139.5 million cubic metres; natural gas reserves were 38.5 billion cubic metres.



Issungnak island in the Beaufort



Atlantic exploration drilling



Drilling a well at Niton, Alta.



The refinery at Norman Wells

Esso Resources has a strong position in the areas under federal control with operations in the Mackenzie Delta and Beaufort Sea, the Arctic islands, and the Atlantic offshore. The company spearheaded exploration in the Beaufort Sea in 1973 with the construction of artificial islands for offshore drilling. By the summer of 1981, 16 such islands had been built. Five oil and three gas discoveries have been made by the company in this region, one a very major gas field in the Mackenzie Delta. Esso Resources' most encouraging oil find is the 1980 discovery at Issungnak in the Beaufort Sea.

Esso Resources also has a 35-percent interest in the very successful program of the Arctic Islands Exploration Group, which is drilling three wells per year. Gas is the major resource in the Arctic islands, but discoveries of oil, particularly at the Cisco well drilled in the winter of 1980-81, are encouraging.

The company was an early explorer in the Atlantic, where it participated in an offshore well near Newfoundland in the summer of 1965. Since then, the company has participated in 14 net wells in the area. In 1980, it completed 5 000 km of seismic surveys for possible later drilling.

Esso Resources continues to be active in western Canada, primarily in Alberta. In 1980, it drilled or participated in 290 exploration and development wells, of which 250 were successful.

Besides its own supplies of crude from fields in western Canada, Imperial ensures that necessary supplies of imported crude are available through long-term contracts with Exxon Corporation, as well as direct contracts with the Venezuelan state oil company. The company also cooperates with Petro-Canada through the allocation of Mexican crude it refines under the contract signed by Mexico and Canada.

At Norman Wells, N.W.T., the company operates an oil field that was discovered in 1920 and is planning an expansion approved by the National Energy Board to increase its output from 500 m³/d to 4800 m³/d by 1984 at a cost of \$650 million. This will be an important addition to Canada's supply of crude oil.

The company has been active in the development of the Alberta oil sands since the 1950s. It was the driving force in the creation of Syncrude Canada Ltd. and is the largest participant with an ownership of 25 percent. At Cold Lake, Alta., Esso Resources is developing the deposits of buried heavy oil by a pilot project with a production capacity



Operations at the Syncrude plant



Pumps at the Cold Lake pilot



Lead/zinc mine in Nova Scotia

of 2225 m³/d, and is planning a massive development project estimated to cost around \$12 billion. The company is also participating in a number of pilot oil-sands projects with others.

Esso Resources is among the top 10 mining companies in Canada with three operating mines. A mine at Gays River, N.S., produces lead and zinc. The former Granduc mine near Stewart, B.C., produces copper. Byron Creek Collieries in southeastern British Columbia, acquired early in 1981, plans to increase its production of thermal coal from 900 000 tonnes per year to 3.6 million tonnes. Esso Resources also holds an interest of six percent in Quintette Coal Limited in northeastern British Columbia and holds the right to earn up to 16.75 percent. The company has delineated a significant uranium discovery at Midwest Lake, Sask., and other mineral properties are in various stages of delineation and development.

Imperial's petroleum-products segment is the major contributor to the company's financial results. Earnings from this segment were \$310 million in 1980, an increase of 76 percent over 1979 results.

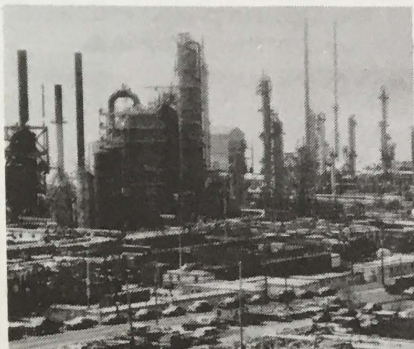
Imperial is the largest marketer of refined petroleum products in the country with a market share of about 26 percent. The company provides a full line of products and services across Canada through a network of nearly 6000 dealers and agents. Communities in the Arctic and on the east and west coasts not served by road or rail are supplied by barges or ships, so that the Esso sign is familiar in all regions of the country.

Imperial's customers are served through 4667 service stations providing a full range of services. These include self-serve outlets, full-service stations with auto repair bays, and highly sophisticated service centres with diagnostic clinics and repair services. Imperial products are also sold under the Gain brand to customers who want no-frills service at a lower price. Industrial customers, farmers, and home-heating accounts are served through 1200 agencies, distributors, and other sales associates.

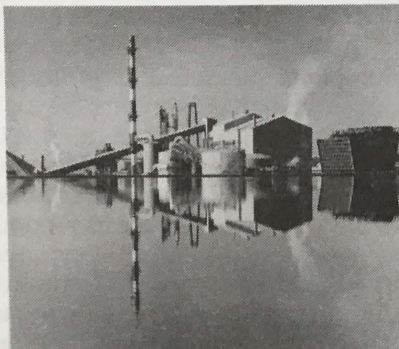
The company has a well-established, efficient supply system and a modern distribution network. Investments of more than \$3½ billion are expected over the next decade to keep ahead of major changes occurring in product demand, to maintain Imperial's high level of efficiency and safety, and to increase environmental protection.

The company operates six refineries with a total capacity of 76 700 m³/d at Dec. 31, 1980; they operated at 93 percent of capacity during the past two years. The refineries are in Dartmouth, N.S., Montreal East, Que., Sarnia, Ont., Strathcona, Alta., Ioco, B.C., and Norman Wells, N.W.T. The refinery at Norman Wells is the most northerly in the world and serves the needs of this rapidly developing region.

The refinery at Strathcona is planning a \$290-million expansion, to be completed in 1983. In 1980, the company completed a \$36-million modernization program at its Montreal refinery. A \$45-million investment at the Dartmouth refinery to enable it to process sour crudes will be completed in 1982. A new \$13-million plant to package lubricants will be completed in 1981 at Sarnia and a similar facility will be built at Strathcona in 1982.



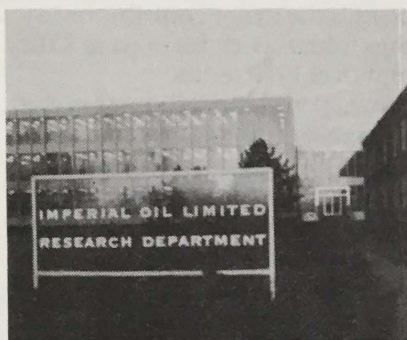
The refinery at Dartmouth, N.S.



Esso Chemical: first in earnings



New warehouse at Edmonton



Research labs at Sarnia. Others are at Calgary and Montreal

Future plans include a \$19-million refurbishing of units at the Montreal refinery, including new equipment to control pollution; a \$24-million program to reactivate three process units at Sarnia, which were shut down in 1975; and the completion of an \$11-million project to automate 49 product-distribution terminals and two ships.

The company's operations in chemicals began in 1957 and are managed by Esso Chemical Canada, a division of Imperial created in 1970. The division manufactures and sells petrochemicals, plastic resins, fertilizers, building materials, and synthetic cordage.

Since its creation, Esso Chemical has grown to become one of the three top chemical companies in Canada and the highest in earnings. Earnings were \$81 million in 1980, a 19-percent increase over 1979 results.

The company has plans for investments in new or enlarged facilities to manufacture chemicals, plastics, and fertilizers. Included are a world-scale plant to manufacture low-density polyethylene at Sarnia, an expansion of the company's polyvinyl-chloride plant, also at Sarnia, a \$400-million nitrogenous-fertilizer plant at Redwater, Alta., and the addition of a \$300-million styrene plant to the Petalta project, a major project to upgrade petrochemical raw materials in Alberta. The project will be managed jointly by Esso Chemical Canada and Alberta Energy Company Ltd.

Imperial has the largest and oldest petroleum research operation in Canada and from it has come an impressive list of new products, manufacturing processes, and exploration and production techniques; the number of patents held at the end of 1980 was 576. The company introduced Canada's first premium unleaded gasoline—Esso Extra Unleaded—and the first energy-saving engine oil.

The opportunities for new investments in the growth areas of Imperial's operations are numerous and management can be selective in its choice. The major investments already under way and the new ones to be selected are expected to contribute significantly to higher earnings. Imperial is confident it will maintain its leadership in financial results, future growth, and continued progress through its main strengths: a strong financial position, a flexible planning process, and aggressive business expertise.